

MoDOT Workforce Planning Key Components

Compensation and Classification

February 18, 2011

Executive Summary

Maintaining a compensation and classification program is a critical function performed by the Human Resources (HR) Division and HR staff in the districts. This function includes all aspects of managing the department's job worth hierarchy, job descriptions, job classification assignments, and administering its salary administration program. This includes the processing of all personnel transactions. Performance of this function statewide takes the time of approximately 9.0 FTEs on an annual basis, at a cost of approximately \$640,000 in total personal services costs (salary and fringe benefits). Current E&E expenses statewide expended to support the function are approximately \$18,000 annually.

Our initial assessment reveals that this function could be outsourced because there are external resources available to perform similar work. Our preliminary estimation is that it would cost MoDOT \$4.8 million per year to outsource this function compared to the \$640,000 currently spent internally. Our assessment further revealed that the function could be streamlined through regionalization of some processes and by implementing some already identified process improvement strategies.

Please use the questions below for each function and summarize the information within the final business plan.

- ***Why does this function exist within MoDOT?***
To ensure that employees are appropriately classified into titles, and salaries are appropriate to classification.
 - ***What does this function accomplish?***
See above.
 - ***How does this function add value?***
At best value, we attract and retain qualified employees.
- ***Is this function core (i.e., mission critical in helping achieve the Tangible Results)?***
Yes, because employees must be paid for work performed at an appropriate salary.
 - ***Does this function need to be provided on a continual basis?***
Yes, we believe this function needs to be provided on a continual basis.
 - ***Would loss of the control of this function harm the organization?***
Loss of control of this function would have the potential to harm the organization due to the loss in flexibility to make organizational or market based changes.
 - ***Would loss of expertise have a negative impact on MoDOT?***
Loss of expertise could potentially have a negative impact as compensation and classification decisions would be made by others with less knowledge of MoDOT and its business.

- ***Is this a function that is mandated by a federal or state law?***
While there are no laws that mandate the function, when performed the function must be done so it does not violate any employment-related laws and regulations (FLSA, Equal Pay Act).
- ***What would be the perception of MoDOT's customers?***
It is not likely that tax payers are aware that this function exists within the organization.
 - ***In the minds of the general public, is this function something MoDOT should be leading?***
It is not likely that tax payers are aware that this function exists within the organization.
 - ***What impression does this function leave with the general assembly or other critical political influences?***
The General Assembly may view this as a duplication of effort or believe that OA performs this function for MoDOT.
 - ***What customers use or have access to this function? Does the customer depend solely on this function?***
There are no customers that use or have access to this function. This is exclusively a function internal to MoDOT.
- ***Availability of this function outside of MoDOT***
There are consultants available that perform all aspects of compensation and classification. In addition, OA has the functional capability to perform various aspects of compensation and classification administration.
 - ***What is the availability of this activity in the private sector?***
There are a multitude of consultants available in the external market capable of providing compensation and classification administration.
 - ***How difficult would it be for MoDOT to find an adequate vendor?***
It would not be difficult to find a vendor; however, the adequacy is questionable based upon MoDOT's own experiences and recent feedback from other state DOTs.
 - ***Is there enough competition to ensure quality?***
Yes, there is sufficient competition in this market. However, the industry and the consultant's desire to use an inflexible standardized approach, whether it meets MoDOT's needs or not, may impact the quality of the end product.
- ***Availability of this function inside MoDOT***
 - ***What are the current staffing levels supporting this function?***
There are currently 9 FTEs. This includes 6 FTEs in HR Division's Compensation unit, 0.50 FTE in the HR Division's Administration unit, plus 2.5 FTEs in the districts and the HR Services unit time spent on compensation and classification duties.
 - ***Are there overlaps or duplications of staff or processes?***
Yes, districts and the HR Services unit and HR's Compensation unit share functions related to salary administration.
 - ***How closely does the function need to be to the end-user or customer?***
Some functions such as system administration (e.g., ESMTs) need to be close while others such as classification do not.

- ***How easily could major changes occur?***
 - ***Could the function be eliminated completely and if so how easy would it be to do?***

Yes, classification functions such as market analysis (salary surveys, job studies) could be eliminated. However, other functions such as ESMTs, overtime oversight, and salary grid administration could not be eliminated.
 - ***If the function is still needed, but not necessarily with MoDOT resources, how easy would it be to implement converting to managing consultants versus managing people?***

Initial setup of a vendor would take time but could be done fairly easily, assuming an adequate vendor is found.
- ***Explain any significant and compelling reasons to continue doing this function specifically using MoDOT resources?***

Our initial assessment is that doing the work with external resources is likely very cost prohibitive (see information below). Recent attempts to utilize consultants for certain components of this program have resulted in inadequate deliverables (outsourced job study) or cost prohibitive (such as market analysis tool).

 - ***Could it be implemented regionally?***

Yes. Location does not drive compensation or classification functions.
 - ***Could it be centralized?***

See above. Currently, all classification and the majority of compensation functions are centralized. However, some functions currently reside in individual districts such as salary administration (individual career ladder promotions, job fill salaries, etc.).
- ***What are the significant barriers prohibiting MoDOT from moving forward? How will this affect MoDOT in terms of:***
 - ***Change in technology***

Many of the functions are tied to the SAM II system which is a Missouri State Government system. Many consultants utilize their own systems and as a result, there could be additional costs (i.e. dual systems) or compatibility issues.
 - ***Government regulations***

There are no government regulations that would create significant barriers with moving forward.
 - ***Changing economy***

A changing economy directly impacts our ability to recruit and retain employees which is driven by competitive salary levels. Any change that is made requires the flexibility to respond to changing market conditions.
- ***Explain the current state of daily operation of the function –location, equipment needed, number of people needed,***

There are 9 FTEs currently supporting job studies and salary administration. This includes 6.5 FTEs in the HR Division plus 2.5 FTES in the districts and the HR Services unit. There are 2.5 FTEs (HR Compensation) historically that support job studies (market analysis, JAQ process, job study reporting and implementation, job descriptions, overtime classifications). There are 6.5 FTEs (2.5 FTEs in districts and 4 FTEs in the HR Division) that historically support salary administration

(ESMT/PSMT, career ladder, equity increases, relocation, promotions, demotions, safety pays, temporary increases, grid administration, special/legislative requests).

- **Describe the locations of buildings, etc.**
MoDOT has ten district HR offices and one office in Central Office.
- **Are the facilities leased or owned?**
All of the HR offices are housed within owned facilities.
- **Explain any identified opportunities for more efficient processes**
Regionalization of ESMT/PSMT processing. At the point in time MoDOT again pursues job evaluation process (job studies, etc.). MoDOT could implement its already identified streamlined evaluation process.
- **Explain the federal and state laws surrounding the function:**
 - **Licensing and bonding requirements.**
There are no licensing and bonding requirements that are applicable.
 - **Health, workplace, or environmental regulations, and**
There are no workplace or environmental regulations that are applicable.
 - **Special regulations and special insurance coverage.**
There are no special regulations and special insurance coverages that are applicable.
- **Further detail the personnel resources attached to the function:**
 - **Number of employees and type of labor (skilled, unskilled, professional),**
There are 9 FTEs. This includes 6.5 FTEs in HR Division's Compensation and Administration Units, plus 2.5 FTEs in the districts and the HR Services unit time spent on compensation and classification duties. Of the 9 FTEs, 4 FTEs are professional and the remaining 5 are technician/office support. It is estimated that 2.5 FTEs are expended towards job study work and 6.5 FTEs are expended towards salary administration functions. Nine FTEs – Average salary/fringe benefit additive = $\$71,143 \times 9 = \$640,287$.
 - **Quality of existing staff, and**
Quality of existing staff is good based on partner satisfaction surveys. In addition, there are 2 certified compensation professionals on staff.
 - **Number of contract workers.**
At the present time, MoDOT does not utilize contract workers for compensation and classification functions. Our preliminary estimation is that it would cost MoDOT \$4.8 million per year to outsource this function compared to the \$640,000 currently spent internally. This estimate is based on the projection that current costs for consulting work would be in the range of approximately \$300 per hour, based on the hourly rate and expenses (\$225) of a senior consultant from Deloitte & Touche in 2000, aged with a CPI calculator from the United States Bureau of Labor and Statistics. A MoDOT employee typically expends 1,795 hours per year (2080 maximum hours available annually x .863 work capacity) towards their work. The average salary and fringe cost per hour of a MoDOT employee towards this function is \$34.20. If 9 FTEs are expended towards this function, the cost to MoDOT is \$640,000 annually. The cost of 9 consultants (at \$300 per hour) to perform the work conducted by MoDOT's 9 FTEs (working 1795 hours per year) would equal an annual cost of approximately \$4.8 million.

- ***Explain the types of expenses this function creates:***
HR Compensation's E&E budget is \$18,442, excluding IS equipment and capital improvement expenses. District HR E&E is minimal for supporting this function.
 - ***Inventory of raw materials, supplies, finished goods,***
 - ***Average value of inventory including seasonal buildups,***
 - ***Equipment, and***
 - ***Capital improvements.***
- ***Explain your major assumptions.***
We assumed that MoDOT will maintain its own compensation and classification system separate from the UCP.

We assume that in the short term, we will continue to do a limited amount of job studies and minimal salary grid changes. However, once the workforce plan is finalized and implemented, there will likely be a greater need to review job descriptions, conduct job studies, and process ESMTs/PSMTs associated with any reorganization changes.

We assumed that HR will maintain some level of compensation expertise.